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AUTHOR Silver, Howard J.
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ABSTRACT

The impact of federal aid on state spending in general, and specifically on state spending for institutional support, private education, and two-year institutions was assessed through a telephone survey of 74 legislators in 47 states. Almost all of the legislators chair their legislature's committees responsible for higher education policy-making. Forty-eight percent claimed the federal student aid programs affected their state's decisions to spend more or less on student financial assistance. Forty-six percent noted that the federal programs caused their states to spend about the same as they would otherwise for student aid. The availability of fewer dollars is forcing states to consider alterations in their thinking about student aid. In some states the strategy is to give higher priority to more needy students, while in others spending priorities have shifted toward the meritorious middle-class student who can no longer qualify for federal aid because of a relative lack of need. Lack of stability from year to year was the major complaint of the legislators when discussing the federal student assistance programs. The interview questions and responses are appended, along with a rating of the professionalism of the legislatures (i.e., extent of personal staff, sessions, and salary scale). (SW)

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STATE RESPONSES TO FEDERAL POLICIES
ON STUDENT FINANCIAL ASSISTANCE:

A SURVEY OF STATE LEGISLATION

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Prepared for the National Commission on Student Financial
Assistance by
The National Conference of State Legislators

Howard J. Silver, Ph.D.
Consultant and Survey Director

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The opinions expressed do not
necessarily reflect the position of
the National Commission on Student
Financial Assistance.

Overview

By a small margin, state legislative leaders in higher education indicate that federal student financial aid programs have influenced their state's policies in higher education, but not all agree on the direction of that influence. This conclusion is based on

OVERVIEW

This conclusion is based on a telephone survey of 74 legislators in 47 states, almost all of whom chair their legislature's committees responsible for higher education policymaking. Almost one-half of the respondents (48%) claimed the federal student aid programs affected their state's decisions to spend more or less on student financial assistance. Almost as many respondents (46%) noted that the federal programs caused their states to spend about the same as they would have otherwise for student aid. Thus, it is difficult to determine the impact of further changes in federal student aid programs.

Much of the discussion by state legislators of spending on student assistance is dominated by the current bleak fiscal conditions of the states. The evidence from the survey suggests that the availability of fewer dollars is forcing states to consider alterations in their thinking about student aid. In some states the strategy is to give higher priority to more needy students, while in others spending priorities have shifted toward the meritorious middle-class student who can no longer qualify for federal aid because of a relative lack of need. In almost all the states, current legislative sessions are focusing on ways to raise revenue or cut spending, or both.

Despite the belief that state spending on higher education has been affected by federal student assistance programs, when asked about state spending on specific facets of higher education

--institutional support, students in private colleges, and two-year institutions-- the impact is less well perceived by the legislators. The survey also revealed that the members most responsible for higher education have little specific knowledge of federal student aid programs and their effect on the states. The result is that many legislators are heavily dependent on State Higher Education Commission and the Office of the Governor for policy dissection on student financial aid.

Lack of stability from year to year was the major complaint of the survey respondents when discussing the federal student assistance programs. "Leave them alone for awhile" was the legislators most professed recommendation.

METHODOLOGY

Telephone interviews with 74 legislators in 47 states were conducted during February, 1983. In most of the cases the legislators were current chairmen of committees or subcommittees dealing with higher education. In some cases, previous chairmen of education committees or current chairmen of appropriations committees or subcommittees were interviewed. This was done in states where education committee chairmen were new to their jobs and felt they lacked sufficient knowledge to respond and therefore deferred to the others. In 18 cases legislators designated staff members to respond.

The survey instrument was designed to elicit responses about the impact of federal aid on state spending in general, and specifically, on state spending for institutional support, private education, and two-year institutions. (For a copy of

the questionnaire see Appendix A.) Legislators were asked to describe any current proposals for legislative action in higher education and to assess their prospects for enactment. Hypothetical changes in federal student aid programs, particularly SSIG, were presented for the legislators' reactions. Finally, the legislators were solicited for their recommendations about the federal student aid programs.

Results were tabulated according to respondent and by the states they represent. Attempts were made to discover patterns of similar responses according to region*, size of state and "professionalism" of the legislatures.* The following section assesses those results.

Results

o Nearly one-half of the state legislative leaders in higher education believe federal student aid programs had an impact on what the states have been doing, yet almost as many of those interviewed believe that the states spent about the same as they would have otherwise on student assistance.

Thirty-four percent of the respondents said the federal programs caused their states to spend more on student aid and fourteen percent said the federal programs caused them to spend less. Yet forty-six percent of the respondents noted that the

* For definitions of these terms see Appendix B and C.

federal programs caused them to spend about the same as they would have otherwise. These results were substantially affected by the designated staff members who responded to the survey. When only the 56 legislators we talked to are included, thirty percent said the federal programs caused their states to spend more, fourteen percent to spend less, and forty-six percent to spend about the same.

TABLE 1: Responses to the Question:

"From your experience, would you say that the various federal student aid programs caused your state to spend more, less or about the same as it would have otherwise for student aid?"

	<u>More</u>	<u>Less</u>	<u>About the Same</u>	<u>Don't Know</u>
All Respondents (N = 74)	34%	14%	46%	6%
Legislators (N = 56)	30%	14%	46%	9%
Designated Staff (N = 18)	44%	11%	44%	0%

Those legislators who perceived an impact from federal aid described it as a cycle in which increased federal aid led to increased numbers of enrolled students and increased costs for institutions, which necessitated increased tuition for students and therefore, the need for increased student aid. This cycle continues to operate, particularly in light of current spending restraints on the federal government and the states.

Most of the states had loan and/or grant programs of their own. Legislators from ten states (Colorado, Florida, Indiana, Maryland, Minnesota, New York, Pennsylvania, South Dakota, Texas and Vermont) claimed their states had a special commitment to

helping students finance their postsecondary education and, therefore, had been providing aid to students in higher education prior to enactment of the major federal programs. Legislators from Florida, New Jersey, North Carolina, Oregon and Texas admitted that their student aid programs supplemented by design the federal programs. Legislators from Arizona, Idaho and Missouri said that because of the conservative nature of their states, student aid programs were generally unpopular, with one saying they were viewed as "giveaways." The attitudes of the few legislators who believed federal programs caused their states to spend less was expressed by one who commented: "If someone else is willing to spend it, why should we?"

The states that have spent more or less in general on student aid (see Table 2) do not exhibit any discernible patterns of similar characteristics based on region, size or 'professionalism' of the legislature, with one exception: respondents from seven of the thirteen western states* indicated that federal student aid programs caused their states to spend more. One state (North Carolina) appears on both the more and less list. In most of the states we talked to more than one respondent and sometimes their perceptions differed.

TABLE 2: STATES WHERE RESPONDENTS SAID THAT FEDERAL STUDENT AID PROGRAMS AFFECTED STATE SPENDING ON STUDENT AID.
(Grouped by region)

	<u>More (N =20)</u>	<u>Less (N = 10)</u>
<u>East</u>	Maine Massachusetts New Hampshire New Jersey Pennsylvania	Delaware Vermont
<u>South</u>	Alabama Kentucky North Carolina Tennessee	Florida Louisiana North Carolina Texas
<u>Mid-West</u>	Michigan Minnesota Missouri Oklahoma	Wisconsin
<u>West</u>	California Colorado Hawaii Montana Oregon Utah Washington	Arizona Nevada Oregon

o Most legislative leaders in higher education believe that federal student aid programs have not affected state spending on specific higher education items: institutional support, students in private colleges and universities, and two-year institutions.

Despite the evidence of an impact of federal assistance programs on overall state spending in higher education, the results are different when our respondents were asked about spending for more specific items. Fifty-five percent said their states would have spent the same for institutional support, twenty-two would have spent more, and nine percent would have spent less. The respondents said that state spending on students in private colleges was impacted slightly more by the federal programs. Forty-seven percent responded that their states would have spent about the same, twenty-seven percent would have spent more and seven percent would have spent less. For over a third (34%) of our respondents federal assistance programs encouraged state spending in two-year institutions, only one percent said it discouraged such spending, while fifty-seven percent said it had no effect on state spending.

TABLE 3: THE IMPACT OF FEDERAL STUDENT AID PROGRAMS
ON STATE SPENDING FOR SPECIFIC ITEMS OF HIGHER
EDUCATION.

	<u>More</u>	<u>Less</u>	<u>About the same</u>	<u>Don't Know</u>
Institutional Support	22%	9%	55%	14%
Students in Private Colleges	27%	7%	47%	19%
Two-Year Institutions	34%	1%	57%	8%

N = 74

Those legislators who noted an impact on spending for students attending private colleges and universities suggested that the states, unless restrained by constitutional prohibitions, were forced to do things for students in private colleges, because of what they had done for students in public colleges. On the other hand, one respondent claimed the federal programs reduced the pressure on his state to provide support for students in private colleges. In addition, there was no evidence that the federal programs have had any impact on tuition tax credit proposals.

Those states that have spent more in these specific categories (see Table 4) do not exhibit any discernible similar characteristics based on state size or professionalism of the legislature. Inspection of regional groupings reveal that respondents from seven of the twelve Southern states indicated that federal student aid programs caused them to spend more for private education, while respondents from eight of the thirteen Western states noted that the federal programs caused them to spend more on two-year institutions.

TABLE 4: STATES WHERE RESPONDENTS SAID THAT FEDERAL STUDENT AID PROGRAMS CAUSED THEIR STATES TO SPEND MORE ON SPECIFIC ITEMS IN HIGHER EDUCATION.
(Grouped by Region)

	B*	C*	D*
EAST	Delaware Maryland Massachusetts Pennsylvania	Maryland Massachusetts Pennsylvania	Connecticut Maryland Pennsylvania Vermont
SOUTH	Arkansas Kentucky Louisiana Mississippi	Alabama Arkansas Florida Georgia	Alabama Arkansas Florida North Carolina
MIDWEST	Illinois Kansas South Dakota	Illionis Iowa Michigan Missouri Oklahoma	Illinois Iowa Kansas North Carolina South Dakota
WEST	Alaska Arizona Hawaii Montana	Alaska California Colorado	Arizona California Idaho Montana Nevada Oregon Utah Washington
	N= 16	N= 17	N= 21

- * B= more spending for institutional support (see Question 5)
C- more spending for students in private colleges (See Question 6)
D= more spending on 2 year institutions specifically (See Question 8)

Examination of Tables 2 and 4 further reveals that respondents from nine states (Alabama, Arkansas, California, Kentucky, Maryland, Massachusetts, Montana and Texas) said that their states spent more on higher education in, at least, three of the four categories because of federal student aid programs.

- o current fiscal conditions are forcing the states to reassess and alter their thinking and spending on student aid.

Since most states are facing revenue shortfalls which will require either massive tax increases or large spending cutbacks or both, our respondents indicated that their states are being forced to re-evaluate their thinking on student aid. Maryland has appointed a task force to conduct a thorough review of student aid policies. Florida's study commission has completed its work and its recommendations are currently under consideration by the legislature. Idaho has appointed a Task Force on Higher Education to develop a legislative package for next year's session. The Task Force includes members from commerce and industry in an attempt to include the private sector perspective into its deliberations.

In other states, the prospect of reduced state revenues and, perhaps, federal student aid funds, has led to a search for alternative methods of financing student aid. A number of states have established revenue bond authorities to generate money for student loans. In some of the states there are trigger mechanisms--the bonds would be issued only if there are

major changes in the Guaranteed Student Loan Program. Proposals for state work-study programs are also proliferating, with appeals made to the private sector to help finance them. Following the national government's proposals in math and science education, some legislatures are considering loan forgiveness provisions as incentives to attract math and science majors into teaching those subjects after they graduate.

Although a number of our respondents suggested that enactment of tax increases in their states might allow level funding of higher education programs, in most of the states spending cutbacks will be the reality. Colorado anticipates a two-percent across-the-board spending reduction. Idaho anticipates a ten percent reduction in aid to institutions. Louisiana's state departments are being asked to submit budgets at eighty five percent of last year's spending levels. Due to declining oil revenues, Alaska is re-evaluating its five percent loan program with various forgiveness provisions. A tightening up of the program is expected, and there is a proposal to raise the interest rate to eight or nine percent.

As the current legislative sessions continue, the uncertainty of the availability of state revenues overshadows all substantive policy decisions. Many of our respondents simply did not know what their states would be doing this year in higher education policy.

Table 4 indicates that legislators in five states, (Florida, Massachusetts, Montana, and Texas) believe their states would

TABLE 5: STATES THAT WOULD INCREASE THEIR SPENDING FOR SSID
AND TOTAL SHARING OF COSTS.

<u>A*</u>	<u>B*</u>	<u>C*</u>
Florida	Florida	Connecticut
Hawaii	Hawaii	Florida
Kentucky	Indiana	Idaho
Massachusetts	Kentucky	Indiana
Montana	Massachusetts	Iowa
New Jersey	Montana	Kentucky
Rhode Island	Oklahoma	Massachusetts
Texas	Texas	Montana
	Washington	North Carolina
	West Virginia	Oklahoma
		Tennessee
		Texas
		Vermont
		Washington
N=8	N=10	N=14

*A = States that would increase SSIG spending, if federal appropriations remained the same, but matching requirements were increased substantially. (See Question 13)

*B = States that would increase SSIG spending, if federal appropriations were reduced, but matching requirements remained the same. (See Question 14)

*C = States that would increase spending, if states were forced to share the cost of all grant and loan programs with the federal government. (See Question 15)

increase funding under all the circumstances presented. One respondent from these states noted that since the federal government seems intent on pulling back, it has put a lot of pressure on the states to fulfill the expectations of students who want to go to college. In contrast Table 6 presents the states whose legislators said funding would decrease under the alternatives presented. There do not appear to be any discernible patterns here. Three states (Idaho, Indiana, and Washington) appear on both tables. Since in most states we talked to more than one legislator, perceptions on what their states might do sometimes differed.

Most of the legislators we talked to were not dissatisfied with the current programs. The evinced concern that the myriad of changes of recent years in eligibility requirements, rules, and regulations, have made it increasingly difficult for students, institutions of higher education, and the states to plan and determine their needs. According to the legislators, establishing stability in the programs would be the most desired action the federal government could take.

Another concern of the legislators was their perception that the student from the middle-class home has been eliminated from eligibility for the federal aid programs. They view the proposed self help provisions and extended needs tests as exacerbating this problem. One legislator feared that federal policy is generally pointed in the direction of making higher education elitist. Others noted that increased tuition, even at the public institutions, made the costs of a college education

TABLE 6: STATES THAT WOULD DECREASE THEIR SPENDING FOR SSIG AND TOTAL SHARING OF COSTS.

A*	B*	C*
Alabama	Colorado	Alabama
Arizona	Kansas	Arkansas
Delaware	Louisiana	Arizona
Idaho	South Carolina	Indiana
Indiana		Maine
Louisiana		Maryland
North Carolina		South Carolina
North Dakota		Washington
Pennsylvania		
South Dakota		
N=10	N=4	N=8

*A = States that would decrease SSIG spending, if federal appropriations remained the same, but the matching requirements were increased substantially (See Question 13)

*B = States that would decrease SSIG spending, if federal appropriations were reduced, but the matching requirements remained the same.

*C = States that would decrease spending, if the states were forced to share the costs of all grant and loan programs with the federal government. (See Question 15)

difficult for middle class families to meet without help from government. This evoked further concern about maintaining access for all students to higher education.

Finally, legislators were concerned with the collection problems on defaulted loans. One legislator called the administration of the federal programs an "abomination." Other legislators worried that the bad publicity attendant to the collection problems have made it difficult to sell student aid programs to skeptics in their states.

APPENDIX A

QUESTIONNAIRE FOR SURVEY OF STATE LEGISLATIVE LEADERS IN
HIGHER EDUCATION

Introduction

Good afternoon, this is _____ at the National Conference of State Legislatures. The National Commission on Student Financial Assistance has asked NCSL to draw on the experiences and views of state legislative leaders in order to help them make recommendations to the Congress on the future structure of federal student financial aid.

We are particularly interested in the relation of the federal student aid program to your own state's policies for higher education.

- *1. From your experience, would you say that the various federal student aid programs caused your state to spend more, less or about the same as it would have otherwise for student aid.

34 More 14 Less 46 About Same 6 Don't Know

2. Are there any reasons for this?

3. What about the form of your student aid programs? Have the federal student aid programs caused your state to emphasize grants or loans or any other particular form of student assistance?

 Grants Loans No Effect Don't Know

4. Are there any reasons for this?

*All numbers are percentages. N= 74

Survey/2

5. What about institutional support in contrast to student aid? Have the federal student aid programs caused your state to spend more, less or about the same as it would have otherwise for institutional support for higher education?
- 22 More 9 Less 55 About Same 14 Don't Know
6. What about private education? Have the federal student aid programs caused your state to spend more, less or about the same as it would have otherwise for institutional aid and aid to students enrolled in independent colleges and universities?
- 27 More 7 Less 47 About Same 19 Don't Know
7. What about tuition tax credits for private colleges and universities? Have the federal student aid programs either encouraged or discouraged authorization of tuition tax credits in your state?
- 9 Encouraged 5 Discouraged 69 No Effect 16 Don't Know
8. What about two-year institutions? Has the federal student aid program either encouraged or discouraged state support for two-year institutions.
- 34 Encouraged 1 Discouraged 57 No Effect 8 Don't Know
9. Do you think the federal student aid programs have either encouraged or discouraged the formation of two-year institutions in your state?
- 12 Encouraged 1 Discouraged 74 No Effect 13 Don't Know
10. What other effects would you say the various student financial aid programs have had on your state's policies?
- _____
- _____
- _____

Survey/3

11. What is happening in this legislative session on student financial assistance and higher education institutional support? Are there any proposals to substantially increase or decrease either student financial assistance or institutional support?

____ YES ____ NO ____ Don't Know

(If YES, specify) _____

12. Do you expect any of these to be enacted?

____ YES ____ NO ____ Don't Know

(If YES, specify) _____

These next few questions will seek your judgement about what would happen in your state if the federal student aid structure were changed.

13. If the size of the federal appropriation remained the same, but the matching requirement for the states was raised substantially, would your state be most likely to increase its support for student financial assistance, decrease it, or leave it about the same?

12 Increase 14 Decrease 54 Leave Same 20 Don't Know

14. If the size of the federal appropriation were reduced, but the matching requirement remained the same, would your state be most likely to increase its support for student financial assistance, decrease it, or leave it about the same,

15 Increase 7 Decrease 57 Leave Same 22 Don't Know

Survey/4

15. What if the federal government required the states to share the cost of all its grants and loans to students? Would the response in your state most likely be to increase state support for student financial assistance, decrease it, or leave it about the same?

20 Increase 14 Decrease 47 Leave Same 19 Don't Know

16. What changes in federal policy on student financial assistance would most likely cause your state to spend more on student aid?

17. If your state were to increase support for student aid, would this mean a reduction in funding for other higher education programs in your state?

42 YES 34 NO 8 Leave Same 16 Don't Know

18. Are there any other suggestions you would like to make about the federal policy on student aid?

Thank you for your time and cooperation.

APPENDIX B: REGIONAL DEFINITIONS

EAST Connecticut, Delaware, Maine, Maryland, Massachusetts,
New Hampshire, New Jersey, New York, Pennsylvania,
Rhode Island, Vermont, West Virginia.

SOUTH Alabama, Arkansas, Florida, Georgia, Kentucky,
Louisiana, Mississippi, North Carolina, South Carolina,
Tennessee, Texas, Virginia.

MIDWEST Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota,
Missouri, Nebraska*, North Dakota, Ohio, Oklahoma,
South Dakota, Wisconsin.

WEST Alaska, Arizona, California, Colorado, Hawaii, Idaho,
Montana, Nevada, New Mexico*, Oregon, Utah, Washington,
Wyoming*.

*States with no respondents to the survey

APPENDIX C:

Professionalism Index

New York	11
Michigan	11
California	10
Illinois	10
Pennsylvania	10
Ohio	9
Massachusetts	8
New Jersey	8
Wisconsin	8
Alaska	8
Iowa	7
Louisiana	6
Maryland	6
Minnesota	6
Oklahoma	6
North Carolina	5
Oregon	5
Arizona	5

APPENDIX C (cont'd)

Colorado	5
Florida	5
Missouri	5
Delaware	4
Hawaii	4
Idaho	4
Kansas	4
Nebraska	4
Texas	4
Vermont	4
Washington	4
Virginia	4
New Hampshire	3
South Carolina	3
Connecticut	3
Maine	3
Mississippi	3
Wyoming	2
West Virginia	2
Utah	2
Tennessee	2
South Dakota	2

APPENDIX C: (cont'd)

Rhode Island	2
North Dakota	2
New Mexico	2
Nevada	2
Alabama	2
Arkansas	2
Georgia	2
Indiana	2
Kentucky	2
Montana	2

Index computed by assigning values to the following:

Limited Session	1
Unlimited Session	3
Salary scale: under \$10,000	=1
\$10,000-15,000	=2
\$15,001-20,000	=3
\$20,001-25,000	=4
\$25,001-30,000	=5
above \$30,000	=6

Legislative staff:

Year round personal staff	=2
Session only personal staff	=1
No personal staff	=0